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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER COMPANY ON BEHALF
OF ITS MESA DEL CABALLO SYSTEM FOR
APPROVAL OF A WATER AUGMENTATION
SURCHARGE/EMERGENCY RATE TARIFF.

DOCKET NO. W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF FILING
OF PAYSON WATER COMPANY'S PROPOSED
CHANGES TO ITS CURTAILMENT TARIFF
(MESA DEL CABALLO SYSTEM).

DOCKET NO. W-03514A-10-0117

PROCEDURAL ORDER**BY THE COMMISSION:**

On March 31, 2010, Payson Water Company on behalf of its Mesa Del Caballo System ("PWC," "Applicant," "Company" or "MDC") filed with the Arizona Corporation Commission ("Commission") an application for the emergency implementation of a surcharge or emergency rate tariff due to water shortages on its MDC System. The Company claims that it can no longer augment the water supply for its MDC System and asserts that, in 2009, the Company absorbed \$59,137 in water hauling costs for the MDC System. The Company seeks a monthly surcharge/emergency rate tariff to be charged per 1,000 gallons of water for customers on the MDC System in order to offset the costs of hauling water. The Company is investigating two options to solve its water shortages on the MDC System in the following manner: by drilling a new deep well to serve MDC; or by connecting to the future C.C. Cragin Reservoir pipeline that will serve the City of Payson ("City").

Concurrently with the aforementioned application, the Company also filed an application for proposed changes to its Curtailment Tariff for its MDC System.

On April 5, 2010, the Company filed a Motion to Consolidate ("Motion") the above-captioned applications because the two matters are interrelated and could best be addressed by the Commission in one proceeding. There were no objections filed to the Company's Motion.

1 On April 22, 2010, by Procedural Order, the proceedings were consolidated and a hearing
2 scheduled for May 18, 2010, to determine if an emergency existed pursuant to Attorney General
3 Opinion No. 71-17 and whether a water augmentation surcharge/emergency rate should be approved.
4 It was also ordered that public notice be given of the pending application, the hearing, the right to
5 intervene and the proposed amount of the surcharge.

6 On April 28, 2010, the Mesa Del Water Committee ("MDWC") filed a Motion to Intervene.

7 On April 30, 2010, by Procedural Order, MDWC was granted intervention.

8 On May 14, 2010, the company filed certification that it had provided public notice pursuant to
9 the Commission's April 22, 2010, Procedural Order.

10 On May 18, 2010, a full public hearing was held at the Commission's offices in Phoenix,
11 Arizona. The Company and Staff appeared with counsel. MDWC appeared and was represented by
12 its co-chairman. A customer of the Company appeared and gave public comment. Subsequently, it
13 was determined that although public notice had been given of the proceeding by the Company, the
14 proposed level of the surcharge was not disclosed to its customers. The presiding Administrative Law
15 Judge ("ALJ") indicated that the record would remain open and directed Applicant to re-notice
16 customers on the MDC system of the proceeding, their right to intervene, the level of the proposed
17 surcharge and that the hearing could be re-opened for the taking of additional evidence, if sufficient
18 reason existed.

19 On May 28, 2010, the Company filed a proposed form of notice to be approved by the
20 presiding ALJ prior to its publication and mailing to customers.

21 Pursuant to A.A.C. R14-3-101, the Commission makes the following orders governing the
22 further conduct of this matter.

23 IT IS THEREFORE ORDERED that intervention shall be in accordance with A.A.C. R14-3-
24 105, except that **all motions to intervene must be filed on or before June 25, 2010.**

25 IT IS FURTHER ORDERED that **any objections** to the motions for intervention **must be**
26 **filed on or before July 7, 2010.**

27 IT IS FURTHER ORDERED that the **Company shall provide public notice** of the
28 background of the proceeding on its application, the level of the proposed surcharge, and the right to

intervene by both publication at least once in a newspaper of general circulation in the Company's service area and by mailing to each customer of the MDC system on or before June 11, 2010, an approved form of notice.

IT IS FURTHER ORDERED that the Company shall provide public notice of the proceeding in this matter, in the following form and style:

PUBLIC NOTICE
PAYSON WATER COMPANY MESA DEL CABALLO SYSTEM
DOCKET NOS. W-03514A-10-0116 WATER AUGMENTATION SURCHARGE
TARIFF AND W-03514A-10-0117 CURTAILMENT TARIFF (CONSOLIDATED)

Summary

On March 31, 2010, Payson Water Company ("PWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for the emergency implementation of a water augmentation surcharge for customers served by its Mesa del Caballo ("MDC") water system due to potential water shortages during the summer season. Concurrently, the Company also filed an application for proposed changes to its Curtailment Tariff for the MDC System, which contains specific requirements as to when water augmentation will be necessary. An evidentiary hearing was held on May 18, 2010.

This notice is being sent to provide customers more information about the potential size of the water augmentation surcharge based on the amount of water being used.

Proposed Water Augmentation Surcharge

The Company has proposed a water augmentation surcharge intended to collect costs for water augmentations made during the previous month – all pass-through costs. Each charge will be determined by taking the total monthly cost, and pro-rating the surcharge to each specific customer (currently 375) based on that customer's total consumption for the month in which water augmentation is necessary. As currently proposed, those customers who use more water will pay a larger proportionate share of water augmentation costs than those customers who used less water.

If the surcharge had been in effect from between May and September of 2009, when water hauling was necessary to augment the water supply, **a typical customer with a median usage of 3,621 gallons per month would have seen an increase of approximately \$16.50 on each monthly bill.** Please note that the Company is NOT seeking recovery of 2009 water hauling expenses.

EXEMPTION: Under the Company proposed revisions to the existing Curtailment Tariff, customers who use 4,000 gallons or less per month based on a twelve(12) month rolling average – though still encouraged to reduce water use – will not be subject to mandatory reduction in daily use requirements under Stages 3, 4, and 5. However, all other restrictions during mandatory conservation periods will still apply.

It is difficult to identify how a water augmentation surcharge will affect you, the individual customer, because it will be tied specifically to the amount of water used. However, the following table provides a range of the estimated surcharge costs, based

on water usage and the amount of water augmentation necessary, each month. **The last column (100% hauled water) represents a worst-case scenario in the event the Company is required to haul every drop of water to its Mesa del Caballo system from somewhere other than Company wells or water obtained through well sharing agreements. PWC does not anticipate that it will ever be required to haul 100% of water being served to customers in the Mesa del Caballo system.**

Surcharge Cost Estimates

<u>Water Use</u>	<u>25% hauled water</u>	<u>50% hauled water</u>	<u>100% hauled water</u>
2,000 gpd	\$ 35.72	\$ 51.60	\$ 83.36
3,621 gpd	51.70	80.47	137.97
5,000 gpd	65.30	105.01	184.41
10,000 gpd	118.36	195.08	521.24

How You Can View or Obtain a Copy of the Surcharge Tariff Application and Curtailment Tariff

If you have any questions about these applications, you may contact the Company at Brooke Utilities, P.O. Box 82218, Bakersfield, California 93380.

Copies of the applications are available from PWC by contacting its Call Center at (800) 270-6084 and providing your mailing address and/or email address, and on the Internet via the Commission's website (www.azcc.gov) using the e-docket function.

Arizona Corporation Commission Public Hearing Information

The Commission held a public hearing on this matter on May 18, 2010, at the Commission's offices in Phoenix, Arizona. Any written public comments may be submitted to the record by mailing a letter referencing Docket Nos. W-03514A-10-0116 and W-03514A-10-0117 to the Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, Arizona 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to <http://www.azcc.gov/divisions/utilities/forms/complaintform.pdf>.

About Intervention

Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. The deadline for filing a written motion to intervene has been extended to **June 25, 2010**. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **June 25, 2010**. Also send a copy of the motion to PWC or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor;
2. A short statement of the proposed intervenor's interest in the proceeding and whether he/she is requesting that the hearing be re-opened to present evidence and to cross-examine any prior witnesses;
3. A statement certifying that a copy of the Motion to Intervene has been mailed to PWC or its counsel and to all parties of record in the case.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that **all Motions to Intervene must be filed on, or before, June 25, 2010.** If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing, if it is re-opened, and providing public comment on the applications or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Carolyn Buck, email CDBuck@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodations.

IT IS FURTHER ORDERED that the **Company shall file** with the Commission's Docket Control no later than **June 18, 2010, certification that public notice has been given** in accordance with this Procedural Order.

IT IS FURTHER ORDERED that notice in accordance with this Procedural Order shall be deemed complete upon the mailing and publication of same, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 – Unauthorized Communications) applies to this proceeding.

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro hac vice*.

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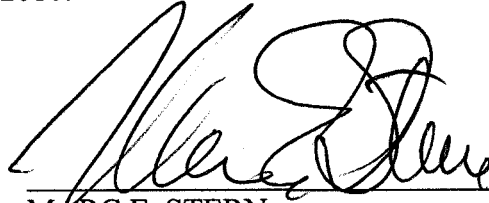
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1 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
2 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

3 DATED this 2nd day of June, 2010.

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7 MARC E. STERN
ADMINISTRATIVE LAW JUDGE


8 Copies of the foregoing mailed/delivered
9 this 2nd day of June, 2010 to:

10 Patrick J. Black
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11 Phoenix, AZ 85012-2913
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12 MESA DEL WATER COMMITTEE
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20 By: 
21 Debra Broyles
22 Secretary to Marc E. Stern